

Written Statement of Milan Ozdinec
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U.S. Department of Housing and Urban Development
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“Affordable Housing Needs in the City of Houston:
Unique Challenges and Opportunities”
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Chairwoman Waters, Ranking Member Capito, distinguished members of the Subcommittee; I am Milan Ozdinec, Deputy Assistant Secretary for the Office of Public Housing and Voucher Programs at the U.S. Department of Housing and Urban Development (HUD). On behalf of Secretary Alphonso Jackson, I am honored to have the opportunity to testify before you today

In August 2005, Hurricane Katrina struck the Gulf Coast area of the United States causing unprecedented and catastrophic damage to property, significant loss of life, and the displacement of tens of thousands of families from their homes and communities. In September 2005, Hurricane Rita hit the Gulf Coast area, adding to the property damage and displacement of individuals and families.

Under a Mission Assignment from the Federal Emergency Management Agency (FEMA), the Office of Public and Indian Housing (PIH) developed the Katrina Disaster Housing Assistance Program (KDHAP) and issued guidance to the nation's Public Housing Authorities (PHAs) on how to assist public housing residents displaced by Hurricane Katrina.

HUD's KDHAP provided housing vouchers for evacuee households that were previously receiving public housing and other HUD housing assistance, including homeless people. Under KDHAP, participating individuals and households were eligible to receive rental assistance payments for up to 18 months. These payments were calculated at 100 percent of the fair market rent in any community in the country the evacuee selected, from Portland, Maine to Portland, Oregon. More than 15,000 families received KDHAP voucher assistance.

In December 2005, an additional \$390 million in funds were appropriated by Congress to HUD, under Section 8(o) of the United States Housing Act of 1937, 42 U.S.C. 1437f(o) to provide previously HUD-assisted and homeless families displaced by Hurricanes Katrina and Rita with disaster vouchers. Under this legislative authority, HUD was able to once again partner with PHAs and conduct a successful conversion of KDHAP families to DVP. As a result of HUD efforts, over 33,000 families have been assisted under DVP. .

The Administration has recognized the need for continued coordinated, long-term housing solutions for Gulf Coast residents displaced by Hurricanes Katrina and Rita, and HUD has been called upon to design a program to assist displacees through an Inter-Agency Agreement (IAA) between HUD and FEMA. Last spring, HUD and FEMA announced that HUD will take over long-term rental assistance for approximately 45,000 eligible non-HUD assisted families displaced by Hurricanes Katrina and Rita from FEMA through a demonstration program called

the Disaster Housing Assistance Program (DHAP). DHAP will be implemented in two phases. During the first phase, FEMA referred approximately 30,000 families to HUD who are receiving financial or rental assistance from FEMA. During the second phase, FEMA will refer approximately 15,000 families currently living in FEMA travel trailers. DHAP will be vital for helping these families rebuild their lives, get on a path to self-sufficiency and have the opportunity to return home.

Under the DHAP, HUD will utilize its extensive national network of Public Housing Agencies to provide housing assistance and case management services to DHAP eligible families. These local PHAs already administer the Housing Choice Voucher Program (HCV), the Department's largest rental assistance program, and as a result have the necessary local market knowledge and expertise to assist families through a tenant-based subsidy program. In addition, through their administration of both the KDHAP and DVP, PHAs are experienced in working with significant numbers of families that have been displaced by disasters.

The Department firmly believes DHAP will help even more families whose lives were so severely affected by Hurricanes Katrina and Rita to find stable, more long-term housing solutions. The implementation of DHAP is well underway. To date, HUD has:

- Developed Standard Operating Procedures for PHAs that will administer DHAP;
- Developed Case Management Procedures;
- Developed web-based case management software for PHAs ;
- Conducted on-site meetings with PHAs, landlords and advocacy groups in jurisdictions that have the largest number of DHAP eligible families;
- Conducted on-site technical assistance at PHAs to assist in the pre-transition process;
- Conducted three interactive webcasts to provide program information and respond to questions on the program;
- Conducted seven training sessions across the country on case management and the web-based tracking system;
- Developed the Disaster Rent Subsidy Contract and Lease Addendum;
- Developed a Federal Register Notice to apprise the public of DHAP;
- Worked with the Office of the Inspector General to ensure procedures are in place to safeguard against fraud;
- Together with FEMA, executed 336 grant agreements with PHAs that have agreed to participate in DHAP representing over 26,000 DHAP eligible families.
- Established a referral call center with a toll-free number for families and PHAs seeking additional information.

DHAP provides a monthly rent subsidy to assist eligible families displaced by Hurricane Katrina or Hurricane Rita. PHAs that currently administer the HCV program will administer DHAP in their jurisdictions. PHAs willing to participate in DHAP are entering into Grant Agreements with FEMA to administer DHAP. Rental assistance payments under DHAP will commence December 1, 2007. However, PHAs administering DHAP began pre-transitional case management services for the first group of families transitioning to DHAP on September 1, 2007. Originally HUD and FEMA announced that HUD would assume payments on behalf of DHAP eligible families commencing November 1, 2007, however, as PHAs began the pre-

transitional efforts, we determined that family and owner outreach would greatly benefit and the risk of disruption in the flow of assistance payments could be minimized during the transition process by postponing that effective date until December 1, 2007.

To be eligible for DHAP, the family must have been displaced by Hurricanes Katrina or Rita and consequently is either receiving, or is eligible to receive, rental assistance administered by FEMA. FEMA, not the PHA, determines if the family is initially eligible to receive assistance under DHAP. The PHA verifies that a family has been determined eligible for DHAP by FEMA through HUD's web-based Disaster Information System (DIS). DHAP families are required to participate in case management services as a condition of receiving DHAP rental assistance. All family members of the DHAP eligible household are eligible for and will be provided with case management services.

PHA responsibilities under DHAP include calculating the monthly rent subsidy and making monthly rent subsidy payments on behalf of participating families, performing housing quality standards inspections, applying appropriate subsidy standards for families, and determining rent reasonableness for certain units. The PHA is also responsible for terminating the family's participation in DHAP if the family fails to comply with the family obligations of the program.

The monthly rent subsidy is based on the higher of the Fair Market Rent (FMR) published by HUD, or the payment standard established by the PHA for the HCV program for the area in which the family's unit is located. In addition, if the family was receiving FEMA rental assistance in the unit immediately before the family's transition to DHAP, the amount of the monthly rent subsidy shall not be less than FEMA rental assistance payment paid on behalf of the family for that particular unit. In no case may the monthly rent subsidy exceed the rent to owner under the lease.

Family income is not considered in calculating the monthly rent subsidy. A family may rent a unit under DHAP where the rent exceeds the monthly rent subsidy. However, in such cases, the family is responsible for covering the portion of the rent that exceeds the monthly rent subsidy. Tenants are also responsible for any utility costs that are not included in the rent under the lease.

DHAP is a temporary housing assistance program that terminates as of March 1, 2009. In order to prepare the family for the inevitable discontinuation of federal disaster assistance, case management services are provided for the entire duration of DHAP. These case management services include assisting participants to identify non-disaster supported housing solutions such as other affordable housing options that may be available for income-eligible families.

HUD is paying special attention to elderly and disabled residents to ensure they receive services and housing consistent with their needs. HUD expects to have a full count of all DHAP heads of household that are elderly and disabled by March 1, 2008. This will include an assessment of how many will require long-term subsidized or supportive housing. DHAP case managers will work with elderly and disabled residents to increase their activities of daily living, connect those that are able to work with employment, and ensure that they transition into permanent housing as soon as possible.

In addition, beginning on March 1, 2008, families will be required to pay a portion of rent (in addition to the family's share in cases where the monthly rent exceeds the monthly rent subsidy) of \$50.00, which will increase by an additional \$50.00 each subsequent month. This gradual increase in the family share will further prepare the family to assume full responsibility for their housing costs at the end of DHAP. A family may qualify for an exception to this rent transition policy on the basis of economic hardship. In order to be eligible for a hardship exception, the family must have complied with all case management services requirements and must demonstrate that the applicable incremental rent transition amount will exceed 30 percent of the family's gross monthly income.

The following two categories of families constitute the vast majority of families that are being transitioned to the DHAP first, with pre-transitional case management services:

(1) A family that is currently receiving rental assistance under the Stafford Act from FEMA through FEMA's contractor, Corporate Lodging Consultants (CLC), and FEMA determines the family is eligible for continued rental assistance. These families have a lease with the owner and CLC has entered into a Direct Assistance Program (DAP) contract with the owner.

(2) A family that is receiving rental assistance from FEMA in a privately-owned rental unit, but not through CLC, and FEMA determines the family is eligible for continued rental assistance. In this situation, there is no contractual relationship between FEMA and the owner.

Beginning in January 2008, HUD will work with FEMA to transition eligible families out of travel trailers and into rental housing in the private market.

There will be some families that will not be able to transition to DHAP by December 1, 2007. Such families include those located in areas where there is no PHA in the jurisdiction to administer DHAP assistance, and families where the owner refuses to participate in DHAP and the family has not yet found a replacement unit. For these families, HUD will make bridge rental assistance payments on their behalf for a limited period.

Like KDHAP and DVP, the Department developed and is implementing DHAP. With the help of our network of knowledgeable PHAs, DHAP will be as successful as its predecessor disaster programs.

We look forward to working with you to ensure the housing needs of disaster displacees continue to be met. Thank you and I look forward to your questions.